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Shanghai Mall Foot Traffic Brings Retailers Riches

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Report Highlights:

Retail sales on Shanghai's premier shopping street have improved markedly since the eastern section of Nanjing Road re-opened as a pedestrian mall in the fall of 1999.

More than a shopping destination, the newly renovated street is now a major tourist attraction and the crown jewel in Shanghai's claim as China's retail mecca.

Includes PSD changes: No

Includes Trade Matrix: No

Unscheduled Report

Shanghai ATO [CH2], CH

In its long reign spanning most of the 20th century, Nanjing Road has been considered the premier shopping area in Shanghai and, indeed, the leading shopping attraction in China. The half-mile section of road boasts every kind of commercial outlet from department store and food store to hotel and recreation center. People come from all over China to shop on Nanjing Road, and in the last several years, the municipal government has spent a lot of effort trying to retain the area's viability. As a result of ongoing domestic market reforms, Shanghai consumers now have 2900 department stores, shopping centers and supermarkets to choose from. According to the Shanghai Statistics Bureau, retail sales of consumer goods totaled 147 billion yuan (\$17.8 billion) in 1998 of which food sales reached 60 billion yuan (\$7.3 billion), a 13.5% increase over the previous year.

Nanjing Road retailers have been suffering from fierce competition from the newly developed shopping centers over the last three years. Hualian Co., Ltd., one of the three titans on Nanjing Road, with \$1.5 billion in 1998 revenues, reported a 14.6% decline in net income in the first-half of 1999. Shanghai Provisions Food Co., Ltd., Shanghai's largest food store, had a 19% decrease in net income in the same time period. Prompted by flagging sales, the municipal government decided to renovate Nanjing Road and turn it into a pedestrian-only avenue.

After five months of renovation, the city's premier shopping street was re-opened as a pedestrian mall this past autumn, just in time to enjoy a shopping surge during the 7-day holiday in celebration of the 50th anniversary of the People's Republic of China. Traditionally, Chinese spend a large amount of money during the holidays on food, clothing and travel. The street's ambiance has changed for the better with the removal of cars and buses, and the opening of new restaurants, entertainment outlets and specialty shops. Retailers expect a sales bonanza, and have exerted considerable marketing efforts to get the most out of the location.

Many shops cleaned up their facades and took renewed pride in this historic shopping mecca. Hualian Co., Ltd., for instance, invested more than 3 million yuan (\$360,000) to renovate its Nanjing Road store by upgrading the floor plan and lighting. Other stores along Nanjing Road, ready to take advantage of the steady stream of strollers, are planning promotional events as well. The New World Store began a general merchandise festival, and the No.1 Department Store will launch a series of marketing promotions soon. The Nanjing Road retailers are particularly keen on maximizing profits and are equally optimistic about their future.

Opportunities for American Consumer Foods

Turning the 100-year old Nanjing Road into a modern pedestrian mall is one of the measures the municipal government is taking to improve the city's commercial infrastructure, and stimulate economic growth in Shanghai. Consumers are being urged to spend money, especially when they have more disposable income. In 1998, Shanghai's average per capita GDP reached \$3400, and, it is expected to reach a record \$4000 in 2000.

Nearly 6 million people from all over China visited the pedestrian mall during the long October holiday. Food products were among the best-selling items on the street. Food courts in the department stores, restaurants and food stores were bustling with people. For instance, people were queuing up for 48 yuan (\$6) Italian ice cream cones, and a small counter in front of Shanghai Provisions Co. sold hundreds of kilos of roasted chestnuts. Huge quantities of soft drinks, snack foods, ice cream and fruit were consumed by people strolling on the street.

In short, the pedestrian street may be a good opportunity for US food suppliers seeking to explore China's diversified market. Retailers are keen on marketing new products to make more profits, and consumers have an enormous

interest and increasing disposable income available for trying new products.